



Pension Integrity Project Policy Explainer

California Assembly Bill 1383 Would Drive Up Costs for Local Governments

The nation's largest public pension plan, the California Public Employees' Retirement System (CalPERS), continues to be a major driver of the state's growth in spending. In 2025, taxpayers via government employers (local governments, school districts, and the state) paid \$23.4 billion to CalPERS, most of which went to pay for the system's growing unfunded liabilities and benefits promised to workers and retirees. While the Public Employees' Pension Reform Act (PEPRA) has helped slow the growth of the state's pension-related costs since its passage in 2012, the state is still decades away from fully funding pension benefits already promised.

Assembly Bill 1383 Grants New Benefits and Undermines PEPRA

California lawmakers are currently considering Assembly Bill 1383, which would undermine crucial PEPRA reforms. The bill would grant an unfunded pension benefit increase for higher earners by expanding the definition of pensionable compensation. It would also remove the cost-sharing limits in PEPRA that protect taxpayers from runaway costs. AB 1383 would give public safety workers special exceptions, lowering their retirement age and granting them a higher level of pension benefits. Like the disastrous 1999 public pension benefit increase governments are still trying to pay for, this law would add large costs that could easily balloon if the economy or pension system's investments experience a downturn.

AB 1383 Could Cost Local Governments an Additional \$14.5 Billion

Actuarial analysis by CalPERS indicates that AB 1383 would add \$4.8 billion in long-term costs, borne by local governments and taxpayers. Reason Foundation's modeling finds the bill could add \$9.3 billion in additional costs over the next 30 years and up to \$14.5 billion with expected recessions or market downturns. The largest source of new costs (86%) would come from changes to the pensionable compensation cap, which would raise the salary used to calculate retirement benefits.

	Current PEPRA Policy	AB 1383
Total Cost to Employers (Expected Returns)	\$368 billion	\$377 billion
Total Cost to Employers (Market Stress Returns)	\$876 billion	\$891 billion

Source: Pension Integrity Project 30-year actuarial forecast of CalPERS. The market stress scenario applies recession returns in 2026-29 and 2041-44 and 6% returns in all other years. Values are adjusted for inflation.

Bottom line: California's road to recovery from the legislative mistakes of the 1990s and major market losses in the 2000s remains long and ongoing. Undermining important guardrails set in place by the bipartisan PEPRA reforms would add significant costs to already-strapped local governments and taxpayers. Instead of adding an additional \$14.5 billion in potential public pension costs, policymakers should stay the course set by PEPRA and work to further reduce the state's exposure to pension debt.

Reason Foundation Pension Integrity Project Contacts

- Zachary Christensen, Managing Director (zachary.christensen@reason.org)
- Steven Gassenberger, Government Affairs Manager (steven.gassenberger@reason.org)

